School of Policy Studies

MPA 827 Financial Management in Canada’s Public Sector

2019 Summer Session
April 26-27, May 13-17 and June 3-7, 2018

Andrew Graham
Adjunct Professor,
School of Policy Studies
Room 316

andrew.graham@queensu.ca
http://www.andrewbgraham.ca
613 583 0096

Note on Courseware: This course will be managed through on-Q. You will be registered on on-Q. For more information, go to www.onq.queensu.ca. I also place most of the course material, except for readings, on my own website http://www.andrewbgraham.ca
Linkage to the Master of Public Administration Competency Profile

This course contributes to the development of the core MPA competencies in the following ways:

- **Analysis and Applications**
  - Relevant theories of public sector financial management will be applied to a number of real-life public sector challenges, enhancing both the analytical skills of the students and their ability to apply that skill to problems of public sector financial issues seen through the lens of policy development and application.
  - Students will be able to explain and apply financial concepts in the context of public sector decision-making.
  - Students will use financial information to provide better advice, solutions to ongoing problems and accounting for performance.

- **Strategic Thinking**
  - This course will enable students to apply the elements of public sector financial management in the broader context of policy development and in the implementation and sustaining of public programs.
  - Students will appreciate the importance of the development of budgets, risk analysis and mitigation and budget management in the successful execution of strategy.
  - Students will learn and apply concepts of financial accountability as part of the overall process of democratic direction through law and policy and accountability through program delivery and reporting and oversight.
• **Engagement and Communication**
  
o. Financial capacity exists to support good public policy and delivery. Students will learn the ways in which financial information is used in the development of public policy, the ways in which programs are resourced and how those resources are responsibly stewarded with the context of public sector values.
  
o. Students will differentiate various roles in the financial management process within governments and determine how to make them work harmoniously to achieve public good.
  
o. Students will be challenged through case studies, open problems, group interaction and class discussion to solve problems, work with others and focus on results.
  
o. Students will be challenged to communicate complex financial and programmatic information to support sound decision-making in a realistic and complex public sector environment.

• **Professionalism, Collaboration and Leadership**
  
o. The course will focus on the underlying values of probity, honesty, clarity and competence that effective public sector financial management required.
  
o. The course will draw upon as many sectors of the public sector as possible.
  
o. Students will be placed in leadership roles that require both high-level strategic thinking combined with an astute understanding of detailed financial information.

### Learning Outcomes

Full engagement in this course will enable the student to:

1. Overcome any fear and comfortably use government financial information through understanding and effectively using financial concepts, statements and practices.
2. Apply financial analysis, information and management in the creation and delivery of public policy and the exercise of decision-making and leadership in the managing of public funds.
3. Integrate financial information to case studies to develop solutions and appropriate public policy and management responses.
4. Evaluate the nature and sources of financial risk in policy design and program delivery and create mitigating strategies.
5. Prioritize financial and operation information in order to determine risk, identify options for action and create a course of action for public policy and management problems.
6. Organize and present complex financial and program information for decision-making.
Are there any Prerequisites? “Do I need to be good with numbers?”

This course assumes little or no previous formal training in financial management or accounting. In addition, no work experience is needed. It is an introductory and survey course, closely integrated into public administrations. Students will need to have or rapidly acquire some familiarity with Excel spreadsheets, but only at a rudimentary level. Templates are provided.

**Text:** *Canadian Public Sector Financial Management, Second Edition* by Andrew Graham available through the Campus Bookstore or amazon.ca. *Remember, it is the Second Edition, Green Cover.*

**Statement on Academic Integrity**

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility (see [http://www.academicintegrity.org](http://www.academicintegrity.org)). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the “freedom of inquiry and exchange of ideas” essential to the intellectual life of the University (see the Senate Report on Principles and Priorities [http://www.queensu.ca/secretariat/policies/senateandtrustees/principlespriorities.html](http://www.queensu.ca/secretariat/policies/senateandtrustees/principlespriorities.html)).


Departures from academic integrity include plagiarism, use of unauthorized materials, facilitation, forgery and falsification, and are antithetical to the development of an academic community at Queen’s. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment or the failure of a course to the rescinding of a degree.
The Logic Track of the Financial Management Framework

Accounting Concepts

Planning and Budgeting: Getting the Money

Accountability and Risk

Reporting and Performance Measurement

Reallocating and Budget Reductions

Control: Cash Management

Control: Spending the Money
Assignment Due Dates

Please Note: Assignments should be submitted electronically. Please submit your assignments in a single file please.

Test 1: Due: May 5, 2019
Test 2: Due: May 26, 2019
Cash Management Exercise: Due: June 30, 2019

**Late Assignments:** It is important that students communicate with me if circumstances beyond their control create deadline problems.

<table>
<thead>
<tr>
<th>Basis of Evaluation</th>
<th>Test 1 – 20</th>
<th>Test 2 – 20</th>
<th>Cash Management Exercise</th>
<th>Participation: Includes attendance, class work, overall engagement, challenging assumptions and seeking clarifications</th>
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<tbody>
<tr>
<td>Tests on Technical Sections</td>
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Unit 1: The Framework

Session 1: Introduction: Becoming a Financially Literate Manager in Government

Friday: April 26, 2019

Reading: Introduction, and Chapter 1, Financial Management in the Public Sector, Second Edition

- Objectives and structure of the Course
- Assignments, Class Work
- Financial literacy – personal and organizational
- Financial Management in the Public Sector Context
- The public sector financial landscape
- The architecture of financial management

Session 2: Underpinnings of Financial Management: Accountability and Risk

Saturday: April 27, 2019

Reading: Chapter 9, pp. 149-156 and Chapter 11, pp. 187-195
Additional Reading: Integrated Risk Management Implementation Guide, Section 5 – Using Risk Management Tools - available on my website but also on on-Q.

- Nature of public sector accountabilities and views of risk: public versus private?
- Architecture of accountability in the financial management context
- Conceptual framework for risk
- Risk management – concept and process
- The concept of financial risk
- Risk tolerances
- Risk in operations and financial control
- Class Exercise
Unit 2: The Accounting Module: Bean Counter’s Corner

Session 3: Accounting Concepts
Monday: May 13, 2019

Reading: Chapter 2: Public Sector Accounting Principles/Accrual Budgeting and Accounting and Chapter 4, Accrual Accounting and Budgeting

- What accounting does: the purposes of accounting
- Defining accounting – and some history
- Financial accounting and management accounting
- Users of accounting information: internal and external
- Accounting standards: GAAP/IFMS – basic principles
- Understanding the cash and accrual basis for accounting
- Key definitions in accounting statements

Session 4: Understanding and Using Financial Statements
Tuesday: May 14, 2019

Reading: Chapter 3: Financial Statements

- Double entry accounting
- Accounting Cycle
- The fundamental accounting equation
- Recording financial information:
  - Journal and ledger functions: follow the money
  - Debits and credits, T-accounts
- Core financial statements:
  - Balance Sheet/ Statement of financial position
  - Income Statement/ Statement of operations
  - Cash Flows
  - Changes in Net Debt
  - Management Discussion and Analysis
- Rations and Financial Analysis

Unit 3: Budgets Module: Getting It and Shedding It

Session 5: Budgets Module Introduction
Wednesday: May 15, 2019

Reading: Chapter 5: Budgets: What they are and what they do
• Understanding what a budget is in financial management terms, in policy terms and in operational terms
• Budget architecture:
  o Budgets by general purpose: Operating and capital budgets
  o Types of operating budgets: line, function, program, performance
  o Flexible versus fixed budgets
  o Off budget expenditures and funds
  o Zero-based budgeting
• The budget process
  o Planning
  o Budget cycles and the approval process
  o Building the budget
• Budgets as a control tool

Although not required reading, Appendix A to Chapter 3, *Budget Games People Play* is posted and recommended.

**Session 6: Planning and Budgeting Tools**

Reading: Chapter 6, Planning and Budgeting and 7, Capital Planning and Budgeting

Thursday: May 16, 2019

• Building budget success
• Role of business cases
  o Turn the tables: what should senior managers look for in a good plan
• Capital Budgeting
• Cost Behaviour
• Cost Benefit Analysis Tools
  o CBA
  o Time Value of Money and Net Present Value
  o Sensitivity Analysis

**Session 7: Cutting Your Budget: Reductions and Reallocations**

Friday: May 17, 2019

Reading: Chapter 8, Taking It Back: Reallocation and Budget Cutting

• Reallocation in the budget process: internal and external
• Strategic reviews around the world
• Cutting tools: how to cut
• Risks, consequences and sustainability
• Practical considerations for budget managers

Exercise: Group exercises in budget reduction strategies, reallocation management.

**Unit 4: Managerial Control**

**Session 8: Control and Control Systems**
Monday: June 3, 2019

Reading: Chapter 9: Managerial Control

• The concept of managerial control
• Risk and risk management
• Management Control Framework – why and for whom?
• Management Control Process
• Core concept of variance
• Materiality and due diligence
• Tools of control

**Unit 5: In-Year Budget Control: Cash Forecasting and Management**

**Sessions 9 and 10: In-Year Budget Control and Management**
Tuesday & Wednesday: June 4-5, 2019

**The Main Assignment**: Given the complex nature of the major assignment, it will be introduced in class and discussed. The assignment will be distributed in hard copy and posted along with any relevant Excel spreadsheets on June 5th. The final session on Friday will focus on this assignment.

Reading: Chapter 10: Cash Management: In-Year Budget Control and Monitoring

• Defining Budget Management
• Objectives of Effective Budget Management, Monitoring and Control
• In-Year versus Plan Management
• Discontinuities between Budgets and the Ability to Plan
• Establishing a Budget Management System
• Preparing a Budget Plan
• Arriving at an Adjusted Budget
• Estimating Budget Performance for the Reporting Period
- The Basis of Forecasting
- Monitoring Financial Performance and Variance Analysis
- Governance
- Reallocation and Readjustment
- In class cash management exercise.

**Unit 6: Reporting and Accountability**

**Session 11: Financial Reporting, Performance Measurement and Audit**  
Thursday: June 6, 2019

Reading: Chapter 11: Financial Reporting and Performance Measurement

- Objectives of external and internal financial and performance reporting
- Reporting to account and reporting to manage
- Public sector reports – range and use
- Creating good measures, creating clear measures
- Integrating financial and non-financial performance data
- What is audit, how it supports management and how it has to be independent to do that
- Risk in determining what to inspect, oversee and audit
- Forms of audit oversight – internal and external
- Following the audit trail down the road of third party delivery of services and the growth or arms-length agencies
- The Audit Explosion

**Session 12: Reprise, Briefing on Final Assignments, Opportunity for Group Work on Final Assignment**

Friday: June 8, 2019

We will use the final session as a retrospective on the course and a preparation for the final assignment. It will be distributed earlier in the week to permit you to ask questions. There will be time if groups wish to work together on the assignment. While this must be submitted individually, students are encouraged to discuss the assignment and develop an understanding of the various elements collectively.